



Amy G. Rabinowitz
Counsel

September 23, 2004

Mary L. Cottrell, Secretary
Dept. of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. Docket 99-60, Investigation by the Department of Telecommunications and Energy on its own Motion into the Pricing and Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d).

Dear Secretary Cottrell:

Massachusetts Electric Company and Nantucket Electric Company (collectively, the “Companies”) hereby submit the results of the Companies’ most recent solicitation for Default Service and proposed retail rates for the Default Service pricing options resulting from the solicitation for the service period beginning November 1, 2004. For the residential and commercial customer groups, the proposed Default Service rates represent an increase from the respective Default Service rates currently in effect, while for the industrial customer group, the proposed rates represent a decrease from today’s rates in each of the Zones in which the Companies provide Default Service. I am also enclosing a motion for confidential treatment of the Company’s analysis of the default service bids and selected Power Supply Agreements, and am providing the confidential analysis and selected Power Supply Agreements themselves directly to Hearing Officer Jeanne Voveris.

On August 16, 2004, the Companies issued a Request for Power Supply Proposal (“RFP”) to supply the Companies’ Default Service needs. For the residential and commercial customer groups, this procurement covered fifty percent of the Companies’ Default Service supply needs for the period November 2004 through April 2005, and fifty percent of the Companies’ Default Service supply needs for the period May 2005 through October 2005. For the industrial customer group, this procurement covered the Companies’ entire Default Service supply needs for the period November 2004 through January 2005. The RFP sought fixed price proposals, which could vary by calendar month, for the residential customer group, commercial customer group, and industrial customer group. Additionally, bidders were required to provide Zone-specific bids for these three customer groups for each of the three Zones in which the Companies provide Default Service. The retail Default Service prices for the periods November 2004 through April 2005 for residential and commercial Default Service and November 2004 through January 2005 for industrial Default Service resulting from the winning bids are contained in Attachment 1 to this letter.

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This RFP also requested bids to supply Standard Offer Service, as approved by the Department on March 10, 2004. For Standard Offer Service, this procurement covered fifty percent of the Companies' residential and commercial Standard Offer Service supply needs for the period January 2005 through February 2005, the entire industrial Standard Offer Service supply needs for January 2005 and a portion of the January 2005 through February 2005 Standard Offer Service needs of customers of the former Eastern Edison Company prior to its merger with and into Massachusetts Electric Company.

Consistent with the Companies' Default Service prices currently in effect, the proposed Default Service rates contained in this filing include an estimate of the costs associated with the Companies' compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that became effective on January 1, 2003. As set forth in the confidential analysis, the Companies are procuring RPS compliant certificates for the majority of their Default Service load as part of this Default Service solicitation. A portion of the Companies' Default Service procurement does not include the purchase of RPS compliance certificates because the RPS costs included by the supplier was considered above market by the Companies. In the past, the Department has preferred to include in Default Service rates a level of RPS that was indicative of the market for RPS. Therefore, the Companies have included in their Default Service rates the value of RPS included in the winning bids for the entire Default Service load RPS obligation. The Companies believe that the RPS procurement cost for a portion of its Default Service load is a reasonable proxy for the total Default Service load covered by this solicitation.

In the Companies' February 13, 2004 procurement, provided to the Department on March 24, 2004, the Companies' pricing included an estimate of the capacity market costs associated with the services. This estimate was required due to significant market uncertainty caused by the proposed change in the capacity market rules by ISO New England.¹ On June 2, 2004 the Federal Energy Regulatory Commission issued an order effectively deferring any decision on proposed changes to the capacity market rules until 2006. Consequently, in the current procurement the Companies sought bids that included the capacity market costs as they have in previous solicitations.

Attachment 2 contains the Companies' calculation of the Default Service rates for the six-month fixed price option for the residential and commercial customer groups, and the three-month fixed price option for the industrial customer group. A calculation of the monthly weighted-average Default Service rate for the Variable Price Option for the residential and commercial customer groups is shown on pages 7 and 8. Because bids for these two groups were obtained by Zone, the Companies calculated a monthly weighted-average rate across the three Zones in order to arrive at one Default Service rate per month. These six monthly weighted-average Default Service rates then become the basis for the proposed rate for the Fixed Price Option. This calculation is not necessary for the industrial customer group, whose Default Service rate is unique for each Zone. Attachment 3 includes the revised tariff supplement to the Companies' Tariff for Default Service², containing the proposed fixed and variable Default

¹ March 1, 2004 filing by ISO New England in FERC Docket No. ER03-563-030.

² Both Companies' Tariff for Default Service is M.D.T.E. No. 1041.

Mary L. Cottrell
September 23, 2004
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Service rates for the periods November 2004 through April 2005 for the residential and commercial customer groups and November 2004 through January 2005 for the industrial customer group. The Companies are proposing that these rates become effective for usage on and after November 1, 2004.

As noted above, this procurement covers fifty percent of the residential and commercial Default Service supply needs for the period November 2004 through October 2005. Due to uncertainty about legislation addressing the end of the Standard Offer period, some of the contracts under which suppliers agreed to provide Default Service supply beyond February 2005 include a provision that, in general, requires the parties to adjust the suppliers' compensation if there is a change in the law that affects the suppliers' rights and obligations to provide supply for customers that otherwise would have become Default Service customers but did not because of the change in law. I am attaching redacted copies of these agreements as Attachment 4, and am providing unredacted copies directly to Hearing Officer Jeanne Voveris.

Thank you very much for your time and attention to the Companies' filing.

Very truly yours,

Amy G. Rabinowitz

cc: DTE 99-60 Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of)	
Telecommunications and Energy on its)	
own motion into the Pricing and)	D.T.E. 99-60
Procurement of Default Service)	
Pursuant to G.L. c. 164, §1B(d))	

**Motion of Massachusetts Electric Company and Nantucket Electric Company
For Confidential Treatment**

Pursuant to Mass. Gen. Laws c. 25, §5D, Massachusetts Electric Company and Nantucket Electric Company (collectively “Companies”) hereby move for confidential treatment of (1) the analysis of default service and standard offer bids that the Companies received in response to its Request for Power Supply Proposal (“RFP”) requesting bids for the period November 1, 2004 through October 31, 2005 and (2) two supply contracts that the Companies entered into for residential and commercial Default Service supply needs for the period November 1, 2004 through October 31, 2005.

The data contained in the rankings constitutes sensitive proprietary information. Protecting this information from public disclosure is in the public interest because disclosure would make public all of the competitive bids received in the RFP process. Although participants understood that the resulting rates would be tied to the Companies’ supply contract prices, the disclosure of all of the competing bids could have adverse competitive effects on future bids for default service, not only for the Companies, but also for other utilities in the state that will need to seek bids for default service.

Similarly, the exact terms under which the Companies agreed to purchase residential and commercial default service supply needs for the period November 1, 2004 through October 31, 2005 are sensitive proprietary information. The disclosure of the two supply contracts could have adverse competitive effects on future bids and contracts for default service, not only for the Companies, but also for other utilities in the state that will need to seek bids and enter into contracts for default service. The Companies are providing redacted, non-confidential versions of these two supply contracts to the Department in their September 23, 2004 filing in this docket.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANIES
NANTUCKET ELECTRIC COMPANIES
By their attorney,

Amy G. Rabinowitz
25 Research Drive
Westboro, MA 01582

Dated: September 23, 2004

CERTIFICATE OF SERVICE

I hereby certify that on September 23, 2004, I served a copy of the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment on the Service List in D.T.E. 99-60 by personal delivery or first class mail.

Signed under the pains and penalties of perjury

Amy G. Rabinowitz
Attorney for Massachusetts Electric Companies and
Nantucket Electric Companies

Dated: September 23, 2004

ATTACHMENT 1

**Massachusetts Electric Company
Nantucket Electric Company**

**Default Service Prices (cents per kWh at retail)
Residential & Commercial: November 2004 - April 2005
Industrial: November 2004 - January 2005**

Power Supply, RPS and Locational ICAP

Customer Group	Contract Month Calendar Month Year	1	2	3	4	5	6
		11	12	1	2	3	4
		2004	2004	2005	2005	2005	2005
Residential	SEMA	6.184	6.757	7.947	7.949	6.954	6.274
	WCMA	6.177	6.757	7.959	7.961	6.956	6.266
	NEMA	6.232	6.813	8.016	8.017	7.013	6.321
	Portion of load served	100%	100%	100%	100%	100%	100%
Commercial	SEMA	5.847	6.465	7.662	7.613	6.652	6.017
	WCMA	5.835	6.458	7.668	7.621	6.654	6.016
	NEMA	6.122	6.681	7.901	7.893	6.973	6.245
	Portion of load served	100%	100%	100%	100%	100%	100%
Industrial	SEMA	5.672	6.448	7.732	n/a	n/a	n/a
	WCMA	5.695	6.478	7.791	n/a	n/a	n/a
	NEMA	5.942	6.679	7.920	n/a	n/a	n/a
	Portion of load served	100%	100%	100%	n/a	n/a	n/a

Footnotes

1) Monthly prices calculated as the sum of the average cost of supply (converted to retail delivery) provided in a confidential submission under separate cover plus the average estimated cost of ICAP (converted to retail delivery) provided in a confidential submission under separate cover).

ATTACHMENT 2

**Massachusetts Electric Company
Nantucket Electric Company**
Summary of Proposed Default Service Charges
November 2004 - April 2005

		Zonal Default Service Charges					
		Residential (R-1, R-2, R-4, E)	Commercial (G-1)	NEMA Industrial (G-2, G-3)	SEMA Industrial (G-2, G-3)	WCMA Industrial (G-2, G-3)	Commercial (Streetlights)
		(a)	(b)	(c)	(d)	(e)	(f)
<u>Section 1: Variable Default Service Charges, ¢/kWh</u>							
(1)	November 2004	6.193	5.915	5.942	5.672	5.695	5.915
(2)	December 2004	6.771	6.519	6.679	6.448	6.478	6.519
(3)	January 2005	7.969	7.728	7.920	7.732	7.791	7.728
(4)	February 2005	7.971	7.691	n/a	n/a	n/a	7.691
(5)	March 2005	6.970	6.738	n/a	n/a	n/a	6.738
(6)	April 2005	6.283	6.077	n/a	n/a	n/a	6.077
<u>Section 2: Fixed Default Service Charge, ¢/kWh</u>							
(7)	November 2004 - April 2005	7.093	6.822				6.822
	November 2004 - January 2005			6.875	6.646	6.684	

(1)	R-1,R-2,R-4: Page 2, Line (8), Column (a) G-1: Page 3, Line (8), Column (a) NEMA G-2,G-3: Page 4, Line (8), Column (a) SEMA G-2,G-3: Page 5, Line (8), Column (a) WCMA G-2,G-3: Page 6, Line (8), Column (a) Streetlights: Page 3, Line (8), Column (a)	(5)	R-1,R-2,R-4: Page 2, Line (8), Column (e) G-1: Page 3, Line (8), Column (e) NEMA G-2,G-3: Page 4, Line (8), Column (e) SEMA G-2,G-3: Page 5, Line (8), Column (e) WCMA G-2,G-3: Page 6, Line (8), Column (e) Streetlights: Page 3, Line (8), Column (e)
(2)	R-1,R-2,R-4: Page 2, Line (8), Column (b) G-1: Page 3, Line (8), Column (b) NEMA G-2,G-3: Page 4, Line (8), Column (b) SEMA G-2,G-3: Page 5, Line (8), Column (b) WCMA G-2,G-3: Page 6, Line (8), Column (b) Streetlights: Page 3, Line (8), Column (b)	(6)	R-1,R-2,R-4: Page 2, Line (8), Column (f) G-1: Page 3, Line (8), Column (f) NEMA G-2,G-3: Page 4, Line (8), Column (f) SEMA G-2,G-3: Page 5, Line (8), Column (f) WCMA G-2,G-3: Page 6, Line (8), Column (f) Streetlights: Page 3, Line (8), Column (f)
(3)	R-1,R-2,R-4: Page 2, Line (8), Column (c) G-1: Page 3, Line (8), Column (c) NEMA G-2,G-3: Page 4, Line (8), Column (c) SEMA G-2,G-3: Page 5, Line (8), Column (c) WCMA G-2,G-3: Page 6, Line (8), Column (c) Streetlights: Page 3, Line (8), Column (c)	(7)	R-1,R-2,R-4: Page 2, Line (10), Column (g) G-1: Page 3, Line (10), Column (g) NEMA G-2,G-3: Page 4, Line (10), Column (g) SEMA G-2,G-3: Page 5, Line (10), Column (g) WCMA G-2,G-3: Page 6, Line (10), Column (g) Streetlights: Page 3, Line (10), Column (g)
(4)	R-1,R-2,R-4: Page 2, Line (8), Column (d) G-1: Page 3, Line (8), Column (d) NEMA G-2,G-3: Page 4, Line (8), Column (d) SEMA G-2,G-3: Page 5, Line (8), Column (d) WCMA G-2,G-3: Page 6, Line (8), Column (d) Streetlights: Page 3, Line (8), Column (d)		

**Massachusetts Electric Company
Nantucket Electric Company**
Residential Fixed Default Service Charge
(Rates R-1, R-2, R-4 and E)
Based on Weighted Average Effective Default Service Prices
November 2004 - April 2005

Section 1: Percentage of Residential kWhs Attributable to Default Service

(1)	August 2004 Residential Default Service kWhs	211,975,243
(2)	August 2004 Total Residential kWhs	756,069,394
(3)	Percentage of Residential Default Service kWhs to Total Residential kWhs	28.04%

Section 2: Projected Residential Default Service kWhs, November 2004 - April 2005

	2004 November (a)	December (b)	2005 January (c)	February (d)	March (e)	April (f)	Total (g)
(4)	Projected Total Company Residential kWhs	645,279,750	780,506,387	853,735,624	795,156,893	732,104,069	645,686,149 4,452,468,872
(5)	Percentage of Residential Default Service kWhs to Total Residential kWhs	<u>28.04%</u>	<u>28.04%</u>	<u>28.04%</u>	<u>28.04%</u>	<u>28.04%</u>	<u>28.04%</u>
(6)	Projected Residential Default Service kWhs	180,913,727	218,826,516	239,357,416	222,934,002	205,256,209	181,027,667 1,248,315,536

Section 3: Weighted Average Residential Default Service Charge for November 2004 - April 2005

(7)	Projected Residential Default Service kWhs	180,913,727	218,826,516	239,357,416	222,934,002	205,256,209	181,027,667	1,248,315,536
(8)	Total Estimated Residential Default Service Price per kWh	<u>\$0.06193</u>	<u>\$0.06771</u>	<u>\$0.07969</u>	<u>\$0.07971</u>	<u>\$0.06970</u>	<u>\$0.06283</u>	
(9)	Projected Residential Default Service Cost, November 2004 - April 2005	\$11,203,987	\$14,816,743	\$19,074,392	\$17,770,069	\$14,306,358	\$11,373,968	<u>\$88,545,518</u>
(10)	Weighted Average Residential Default Service Charge, Fixed Price Option, for November 2004 - April 2005							\$0.07093
(11)	Currently Effective Residential Default Service Charge							\$0.06018
(12)	Proposed Increase to Residential Default Service Charge, Fixed Price Option							\$0.01075

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- (1) Per August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates R-1, R-2, R-4 and E)
(2) Per August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates R-1, R-2, R-4 and E)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast for residential rates (Rates R-1, R-2, R-4 and E)
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Page 7, Line (11)
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
Commercial Fixed Default Service Charge
(Rates G-1 and Streetlights)
Based on Weighted Average Effective Default Service Prices
November 2004 - April 2005

Section 1: Percentage of Commercial kWhs Attributable to Default Service

(1)	August 2004 Commercial Default Service kWhs	70,960,048
(2)	August 2004 Total Commercial kWhs	187,985,538
(3)	Percentage of Commercial Default Service kWhs to Total Commercial kWhs	37.75%

Section 2: Projected Commercial Default Service kWhs, November 2004 - April 2005

	2004 November (a)	December (b)	2005 January (c)	February (d)	March (e)	April (f)	Total (g)
(4)	Projected Total Company Commercial kWhs	173,382,650	190,387,778	210,372,667	198,445,489	190,135,418	1,138,682,687
(5)	Percentage of Commercial Default Service kWhs to Total Commercial kWhs	<u>37.75%</u>	<u>37.75%</u>	<u>37.75%</u>	<u>37.75%</u>	<u>37.75%</u>	<u>37.75%</u>
(6)	Projected Commercial Default Service kWhs	65,447,807	71,866,836	79,410,654	74,908,430	71,771,576	429,825,501

Section 3: Weighted Average Commercial Default Service Charge for November 2004 - April 2005

(7)	Projected Commercial Default Service kWhs	65,447,807	71,866,836	79,410,654	74,908,430	71,771,576	66,420,198	429,825,501
(8)	Total Estimated Commercial Default Service Price per kWh	<u>\$0.05915</u>	<u>\$0.06519</u>	<u>\$0.07728</u>	<u>\$0.07691</u>	<u>\$0.06738</u>	<u>\$0.06077</u>	
(9)	Projected Commercial Default Service Cost, November 2004 - April 2005	\$3,871,238	\$4,684,999	\$6,136,855	\$5,761,207	\$4,835,969	\$4,036,355	<u>\$29,326,624</u>
(10)	Weighted Average Commercial Default Service Charge, Fixed Price Option, for November 2004 - April 2005							\$0.06822
(11)	Currently Effective Commercial Default Service Charge							\$0.06221
(12)	Proposed Increase to Commercial Default Service Charge, Fixed Price Option							\$0.00601

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- (1) Per August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-1 and Streetlights)
(2) Per August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-1 and Streetlights)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Page 8, Line (11)
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
NEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
November 2004 - January 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in NEMA

(1)	August 2004 Industrial Default Service kWhs in the NEMA Zone	30,005,871
(2)	August 2004 Total Industrial kWhs	952,752,045
(3)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	3.15%

Section 2: Projected NEMA Industrial Default Service kWhs, November 2004 - January 2005

		2004		2005	
		<u>November</u>	<u>December</u>	<u>January</u>	<u>Total</u>
		(a)	(b)	(c)	(g)
(4)	Projected Total Company Industrial kWhs	933,036,806	961,257,769	1,014,566,490	2,908,861,065
(5)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>3.15%</u>	<u>3.15%</u>	<u>3.15%</u>	
(6)	Projected NEMA Industrial Default Service kWhs	29,384,961	30,273,749	31,952,649	91,611,359

Section 3: Weighted Average NEMA Industrial Default Service Charge for November 2004 - January 2005

(7)	Projected NEMA Industrial Default Service kWhs	29,384,961	30,273,749	31,952,649	91,611,359
(8)	Total Estimated NEMA Industrial Default Service Price per kWh	<u>\$0.05942</u>	<u>\$0.06679</u>	<u>\$0.07920</u>	
(9)	Projected NEMA Industrial Default Service Cost, November 2004 - January 2005	\$1,746,054	\$2,021,984	\$2,530,650	<u>\$6,298,688</u>
(10)	Weighted Average NEMA Industrial Default Service Charge, Fixed Price Option, for November 2004 - January 2005				\$0.06875
(11)	Currently Effective NEMA Industrial Default Service Charge, Fixed Price Option				\$0.07124
(12)	Proposed Decrease to NEMA Industrial Default Service Charge, Fixed Price Option				(\$0.00249)

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Attachment 1
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
SEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
November 2004 - January 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in SEMA

(1)	August 2004 Industrial Default Service kWhs in the SEMA Zone	42,170,034
(2)	August 2004 Total Industrial kWhs	952,752,045
(3)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	4.43%

Section 2: Projected SEMA Industrial Default Service kWhs, November 2004 - January 2005

		2004 <u>November</u> (a)	<u>December</u> (b)	2005 <u>January</u> (c)	<u>Total</u> (g)
(4)	Projected Total Company Industrial kWhs	933,036,806	961,257,769	1,014,566,490	2,908,861,065
(5)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>4.43%</u>	<u>4.43%</u>	<u>4.43%</u>	
(6)	Projected SEMA Industrial Default Service kWhs	41,297,412	42,546,508	44,906,021	128,749,941

Section 3: Weighted Average SEMA Industrial Default Service Charge for November 2004 - January 2005

(7)	Projected SEMA Industrial Default Service kWhs	41,297,412	42,546,508	44,906,021	128,749,941
(8)	Total Estimated SEMA Industrial Default Service Price per kWh	<u>\$0.05672</u>	<u>\$0.06448</u>	<u>\$0.07732</u>	
(9)	Projected SEMA Industrial Default Service Cost, November 2004 - January 2005	\$2,342,389	\$2,743,399	\$3,472,134	<u>\$8,557,922</u>
(10)	Weighted Average SEMA Industrial Default Service Charge, Fixed Price Option, for November 2004 - January 2005				\$0.06646
(11)	Currently Effective SEMA Industrial Default Service Charge, Fixed Price Option				\$0.06973
(12)	Proposed Decrease to SEMA Industrial Default Service Charge, Fixed Price Option				(\$0.00327)

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Attachment 1
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
WCMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
November 2004 - January 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in WCMA

(1)	August 2004 Industrial Default Service kWhs in the WCMA Zone	80,044,445
(2)	August 2004 Total Industrial kWhs	952,752,045
(3)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	8.40%

Section 2: Projected WCMA Industrial Default Service kWhs, November 2004 - January 2005

	2004 <u>November</u> (a)	<u>December</u> (b)	2005 <u>January</u> (c)	<u>Total</u> (g)
(4)	Projected Total Company Industrial kWhs	933,036,806	961,257,769	1,014,566,490
(5)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	<u>8.40%</u>	<u>8.40%</u>	<u>8.40%</u>
(6)	Projected WCMA Industrial Default Service kWhs	78,388,090	80,759,044	85,237,720
				244,384,854

Section 3: Weighted Average WCMA Industrial Default Service Charge for November 2004 - January 2005

(7)	Projected WCMA Industrial Default Service kWhs	78,388,090	80,759,044	85,237,720	244,384,854
(8)	Total Estimated WCMA Industrial Default Service Price per kWh	<u>\$0.05695</u>	<u>\$0.06478</u>	<u>\$0.07791</u>	
(9)	Projected WCMA Industrial Default Service Cost, November 2004 - January 2005	\$4,464,202	\$5,231,571	\$6,640,871	<u>\$16,336,643</u>
(10)	Weighted Average WCMA Industrial Default Service Charge, Fixed Price Option, for November 2004 - January 2005				\$0.06684
(11)	Currently Effective WCMA Industrial Default Service Charge, Fixed Price Option				\$0.07078
(12)	Proposed Decrease to WCMA Industrial Default Service Charge, Fixed Price Option				(\$0.00394)

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) August 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Attachment 1
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Monthly Weighted Average Default Service Prices
Residential Class
(Rates R-1, R-2, R-4 and E)
November 2004 - April 2005

Section 1: Percentage of Residential kWhs Attributable to Default Service in Each Zone

		<u>kWhs</u>	<u>Percent</u>
(1)	August 2004 Residential Default Service kWhs	211,975,243	
(2)	August 2004 NEMA Residential Default Service kWhs	53,856,311	25.41%
(3)	August 2004 SEMA Residential Default Service kWhs	72,277,182	34.10%
(4)	August 2004 WCMA Residential Default Service kWhs	85,841,750	40.50%

Section 2: Calculation of Monthly Weighted Average Default Service Prices

		2004 <u>November</u> (a)	<u>December</u> (b)	2005 <u>January</u> (c)	<u>February</u> (d)	<u>March</u> (e)	<u>April</u> (f)
(5)	Monthly NEMA Price	\$0.06232	\$0.06813	\$0.08016	\$0.08017	\$0.07013	\$0.06321
(6)	NEMA Percentage	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%
(7)	Monthly SEMA Price	\$0.06184	\$0.06757	\$0.07947	\$0.07949	\$0.06954	\$0.06274
(8)	SEMA Percentage	34.10%	34.10%	34.10%	34.10%	34.10%	34.10%
(9)	Monthly WCMA Price	\$0.06177	\$0.06757	\$0.07959	\$0.07961	\$0.06956	\$0.06266
(10)	WCMA Percentage	40.50%	40.50%	40.50%	40.50%	40.50%	40.50%
(11)	Weighted Average Default Service Price	\$0.06193	\$0.06771	\$0.07969	\$0.07971	\$0.06970	\$0.06283

- (1) Page 2, Line (1)
- (2) Per Company billing records based upon Load Zone designation for each customer account
- (3) Per Company billing records based upon Load Zone designation for each customer account
- (4) Per Company billing records based upon Load Zone designation for each customer account
- (5) Attachment 1
- (6) Line (2)
- (7) Attachment 1
- (8) Line (3)
- (9) Attachment 1
- (10) Line (4)
- (11) Line (5) x Line (6) + Line (7) x Line (8) + Line (9) x Line (10), rounded after 5 decimal places

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Monthly Weighted Average Default Service Prices
Commercial Class
(Rates G-1 and Streetlights)
November 2004 - April 2005

Section 1: Percentage of Commercial kWhs Attributable to Default Service in Each Zone

		<u>kWhs</u>	<u>Percent</u>
(1)	August 2004 Commercial Default Service kWhs	70,960,048	
(2)	August 2004 NEMA Commercial Default Service kWhs	18,884,790	26.61%
(3)	August 2004 SEMA Commercial Default Service kWhs	21,424,955	30.19%
(4)	August 2004 WCMA Commercial Default Service kWhs	30,650,303	43.19%

Section 2: Calculation of Monthly Weighted Average Default Service Prices

		<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>
		<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
		(a)	(b)	(c)	(d)	(e)	(f)
(5)	Monthly NEMA Price	\$0.06122	\$0.06681	\$0.07901	\$0.07893	\$0.06973	\$0.06245
(6)	NEMA Percentage	26.61%	26.61%	26.61%	26.61%	26.61%	26.61%
(7)	Monthly SEMA Price	\$0.05847	\$0.06465	\$0.07662	\$0.07613	\$0.06652	\$0.06017
(8)	SEMA Percentage	30.19%	30.19%	30.19%	30.19%	30.19%	30.19%
(9)	Monthly WCMA Price	\$0.05835	\$0.06458	\$0.07668	\$0.07621	\$0.06654	\$0.06016
(10)	WCMA Percentage	43.19%	43.19%	43.19%	43.19%	43.19%	43.19%
(11)	Weighted Average Default Service Price	\$0.05915	\$0.06519	\$0.07728	\$0.07691	\$0.06738	\$0.06077

- (1) Page 3, Line (1)
(2) Per Company billing records based upon Load Zone designation for each customer account
(3) Per Company billing records based upon Load Zone designation for each customer account
(4) Per Company billing records based upon Load Zone designation for each customer account
(5) Attachment 1
(6) Line (2)
(7) Attachment 1
(8) Line (3)
(9) Attachment 1
(10) Line (4)
(11) Line (5) x Line (6) + Line (7) x Line (8) + Line (9) x Line (10), rounded after 5 decimal places

ATTACHMENT 3

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

SUPPLEMENT TO TARIFF FOR DEFAULT SERVICE

FOR THE PERIOD NOVEMBER 2004 THROUGH APRIL 2005

In accordance with the terms of the Tariff for Default Service, the rates for Default Service for customers receiving such service from the Company, are as follows. All rates will be applied as a uniform ¢ per kWh charge, for usage on and after the first day of each calendar month.

	Rate Tariff					
	R-1, R-2	G-1	G-2, G-3			S-1, S-2
	<u>R-4, E</u>		<u>SEMA</u>	<u>WCMA</u>	<u>NEMA</u>	<u>S-3, S-5, S-20</u>
Fixed Price Option:	7.093¢	6.822¢	6.646¢	6.684¢	6.875¢	6.822¢
Variable Price Option:						
November 2004	6.193¢	5.915¢	5.672¢	5.695¢	5.942¢	5.915¢
December 2004	6.771¢	6.519¢	6.448¢	6.478¢	6.679¢	6.519¢
January 2005	7.969¢	7.728¢	7.732¢	7.791¢	7.920¢	7.728¢
February 2005	7.971¢	7.691¢	n/a	n/a	n/a	7.691¢
March 2005	6.970¢	6.738¢	n/a	n/a	n/a	6.738¢
April 2005	6.283¢	6.077¢	n/a	n/a	n/a	6.077¢

The Fixed Price Option for Residential and Commercial customer groups (R-1, R-2, R-4, E, G-1, S-1, S-2, S-3, S-5, S-20) is effective for the period November 1, 2004 through April 30, 2005. The Fixed Price Option for the Industrial customer group (G-2, G-3) is effective for the period November 1, 2004 through January 31, 2005.

Effective: November 1, 2004

ATTACHMENT 4

POWER SUPPLY AGREEMENT

This **POWER SUPPLY AGREEMENT** (“Agreement”) is dated as of September 17, 2004 (the “Effective Date”) and is by and between **MASSACHUSETTS ELECTRIC COMPANY (“MECo”)**, a Massachusetts corporation, and **NANTUCKET ELECTRIC COMPANY (“Nantucket”)**, a Massachusetts corporation (MECo and Nantucket together “Mass. Electric” or “Buyer,” and each shall be severally and not jointly liable hereunder) and . This Agreement provides for the sale by Seller of the Default Service and Standard Service, as defined herein, to the Buyer. The Buyer and Seller are referred to herein individually as a “Party” and collectively as the “Parties”.

ARTICLE 1. BASIC UNDERSTANDINGS

Seller, in response to a Request for Proposal dated August 16, 2004 issued by the Buyer, has been selected to be the supplier of firm, load-following power to meet the Buyer’s Service Requirements as set forth in the Service Requirements Matrix found in Appendices C-1 and C-2. This Agreement sets forth the terms under which Seller will supply Default Service to Mass. Electric for the period beginning on at the top of the HE 0100 EPT on Schedule 1 of Appendix C-1 and continuing through and including the end of the HE 2400 EPT on Schedule 2 of Appendix C-1, and Standard Service to Mass. Electric for the period beginning at the top of the HE 0100 EPT on Schedule 1 of Appendix C-2 and continuing through and including the end of the HE 2400 EPT Schedule 2 of Appendix C-2 (the “Delivery Term(s)”).

ARTICLE 2. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Agreement or by the ISO.

ARTICLE 3. TERM, SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS

Section 3.1 Term

This Agreement shall be effective immediately upon execution by the Parties and shall continue in effect until final payment is made hereunder. As of the expiration of this Agreement or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination or (b) that such terms and provisions expressly or by their operation survive the termination or expiration of this Agreement.

Section 3.2 Commencement of Electricity Supply

(a) Beginning as of the Commencement Date, Seller shall provide Requirements to the Buyer. For purposes of certainty: Seller's obligations on the Commencement Date shall be to provide Requirements for all Default Service Customers taking service pursuant to the Default Service Tariff as of and including the Commencement Date and for all Standard Service Customers taking service pursuant to the Standard Service Tariff as of and including the Commencement Date.

(b) With respect to each person or entity that becomes a Default Service Customer or Standard Service Customer subsequent to the Commencement Date, Seller shall provide Requirements to the Buyer to meet the needs of the Default Service Customer(s) and Standard Service Customer(s) as of and including the Initiation Date for such customer initiating such service during the Delivery Term.

(c) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Initiation Date via electronic file transfer and in a format specified by the Buyer. Each notice of Initiation Date shall include the account number, the date Seller's service to the Buyer is to begin for a Default Service Customer or Standard Service Customer and the customer's rate class.

Section 3.3 Termination and Conclusion of Electricity Supply

(a) With respect to each Default Service Customer that terminates Default Service, and each Standard Service Customer that terminates Standard Service, during the Delivery Term, Seller shall cease providing Requirements to the Buyer for such customer after the Customer Termination Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Customer Termination Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Termination Date shall include the account number, the Customer Termination Date and the customer's rate class.

(c) Seller's obligation to provide Requirements shall cease on the Conclusion Date.

Section 3.4 Customer Disconnection Date

(a) With respect to each Default Service Customer whose Default Service, or each Standard Service Customer whose Standard Service, is disconnected during the Delivery Term, Seller shall cease providing Requirements to the Buyer for such customer after the Customer Disconnection Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Customer Disconnection Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Disconnection Date shall include the account number, the Customer Disconnection Date and the customer's rate class.

Section 3.5 Distribution Service Interruptions

Seller acknowledges that interruptions in distribution service occur and may reduce the load served hereunder. Seller further acknowledges and agrees that the Buyer may interrupt distribution service to customers consistent with the Distribution Service Terms and the Competitive Supplier Terms. In no event shall a Party have any liability or obligation to another Party in respect of any such interruptions in distribution service.

Section 3.6 Release of Customer Information

The Buyer will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

Section 3.7 Electronic Notification

At Seller's election, the Buyer shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes an account on the Advantis Value Added Network ("VAN"), and (ii) verifies its ability to transfer files to and receive files from the Buyer at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt. Seller shall bear all costs to establish an account and all costs of Seller and the Buyer to use the VAN. If Seller fails to pay all VAN costs and charges when due and payable, Seller's election shall not be valid and the Buyer shall no longer be obligated to provide electronic notification.

Section 3.8 Change in Supply; No Prohibition on Programs

(a) Seller acknowledges and agrees that the number of customers and the Requirements to meet the needs of such customers will fluctuate throughout the Delivery Term and may equal zero. Subject to the express provision of Section 5.6, the Buyer shall not be liable to Seller for any losses Seller may incur, including but not limited to lost revenues, and losses that may result from any change in Requirements, number or location of customers taking service, the location of the Delivery Point(s), the composition of market products or the market for electricity, or change in the Distribution Service Terms or the Default Service Tariff or Standard Service Tariff. Seller further acknowledges and agrees that there is no limit on the number of Customer Initiation Dates, Customer Termination Dates and Customer Disconnection Dates.

(b) Seller acknowledges and agrees that the Buyer shall have the right but not the obligation to continue, initiate, support or participate in any programs, promotions, or initiatives designed to or with the effect of encouraging customers to leave Default Service and Standard Service for any reason ("Programs"). Nothing in this Agreement shall be construed to require notice to or approval of Seller in order for the Buyer to take any action in relation to Programs.

(c) Seller acknowledges and agrees that the Buyer and Affiliates of the Buyer will not provide Seller preferential access to or use of the Buyer's System and that Seller's sole and exclusive rights and remedies with regard to access to, use or availability of the Buyer's System, and the Buyer's or Affiliates of the Buyer's obligation to transmit electricity are those rights, remedies and obligations provided under the Distribution Service Terms, the NEPOOL Agreement and the Market Rules and Procedures.

Section 3.9 Uniform Disclosure Requirements

Seller shall provide the Buyer information pertaining to power plant emissions, fuel types, labor information and any other information required by the Buyer to comply with the uniform disclosure requirements contained in 220 CMR 11.00 and any other disclosure regulations which may be imposed upon the Buyer during the term of this Agreement, as such disclosure requirements apply to Default Service and Standard Service provided by Seller pursuant to this Agreement.

Seller shall utilize the NE-GIS to transfer Load Obligations or NE-GIS Certificates, as applicable, to the Buyer's certificate account in the number equal to the Delivered Energy for Default Service and Standard Service, if any, in a month, provided, that, the Companies shall accept any combination of NE-GIS Certificates regardless of source. Such Load Obligations or NE-GIS Certificates, as applicable, shall be delivered by Seller at least five (5) Business Days prior to the close of the applicable Trading Period. The Load Obligations or NE-GIS Certificates, as applicable, shall be delivered by Seller to an account within the NE-GIS designated by the Buyer.

Section 3.10 Customer Bill Inserts

Seller may furnish the Buyer with a one page bill insert which the Buyer may include in the bill that the Buyer sends to each Default Service Customer in the Commercial Customer Group, the Industrial Customer Group or the Residential Customer Group as to which Seller is providing Requirements to the Company during the Delivery Term for such customer group. Bill inserts provided by Seller shall be included in only one monthly billing cycle during the Delivery Term.

Such inserts shall be printed on 60# Mountie Matte paper, shall be three and one-quarter inches high by six and one-quarter inches wide in size and may be of any typeface except ITC Century and ITC Franklin Gothic.

Seller shall notify the Buyer at least sixty (60) days prior to the start of the monthly billing cycle in which Seller requests that the Buyer include Seller's insert in Default Service Customer bills. A copy of the proposed bill insert is to be included with Seller's initial notification and must be reviewed by the Department before final printing. The Buyer will respond within seven (7) days if it can accommodate Seller's request. If space allows for inclusion, but additional postage is required, the Buyer will provide an estimate of the cost of additional postage to be paid by Seller in order to include the insert in the requested monthly billing cycle, or will suggest an alternate start date. Subject to the foregoing, inserts may be included in any bill sent to a Default Service Customer in the Commercial Customer Group, the Industrial Customer Group or the Residential Customer Group taking service pursuant to the Default Service Tariff during the Delivery Term and in the monthly billing cycle selected by Seller. Inserts must be received by the Buyer at least ten (10) days prior to the start date of their inclusion in customer bills.

Bill inserts shall be sent to the following address in a package clearly marked "[Name of Customer Group & Seller] Bill Inserts - Requested Commencement Date of Mailing: [DATE]:"

Pitney Bowes
Attn: Steve Roy
25 International Drive
Windsor, CT 06095

A single copy of each insert, along with the requested commencement date of mailing, shall also be sent to the following:

Mr. Michael J. Hager
Vice President, Energy Supply – New England
National Grid USA Service Company, Inc
55 Bearfoot Road
Northborough, MA 01532

Mr. Joseph G. McLaughlin
Manager, Billing and Systems
National Grid USA Service Company, Inc
55 Bearfoot Road
Northborough, MA 01532

The Buyer shall be responsible for including no more than the quantity of inserts provided to it by Seller. The Buyer shall not be responsible for returning to Seller unused inserts unless Seller has made prior arrangements for their return.

ARTICLE 4. SALE AND PURCHASE**ARTICLE 5. AMOUNT, BILLING and PAYMENT****Section 5.1 Amount****Section 5.2 Billing and Payment**

(a) On or before the tenth (10th) day of each month during the term of this Agreement, Seller shall calculate the amount due and payable to Seller for Delivered Energy with respect to the preceding month (the "Calculation"). Seller shall provide the Calculation to the Buyer and such Calculation shall include sufficient detail for the Buyer to verify its formulation and computation. Calculations under this paragraph shall be subject to recalculation in accordance with Article 6 and shall be subject to adjustment (positive or negative) based upon such recalculation (a "Reconciliation Adjustment"). Seller shall promptly calculate the Reconciliation Adjustment upon receiving data described in Section 6.3 and shall include the adjustment, if any, in the next month's Invoice. A Reconciliation Adjustment based upon a change in the quantity for an earlier month shall be calculated using the applicable Contract Rate for the month in which the Delivered Energy was received.

(b) Seller shall submit to the Buyer an invoice with such Calculation as provided for in paragraph (a) of this Section (the "Invoice") and the respective amounts due under this Agreement not later than the tenth (10th) day of each month. The Buyer shall pay Seller the amount of the Invoice (including the Reconciliation Adjustment, if any, as a debit or credit) less any amounts disputed in accordance with Section 5.3, on or before the later of the (i) tenth (10th) day after receiving the Invoice, and (ii) the twenty-fifth (25th) day of the month in which such Invoice was received (the "Due Date"). Except for amounts disputed in accordance with Section 5.3, if all or any part of the Invoice remains unpaid after the Due Date, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at the Interest Rate in effect on the Due Date. The Due Date for a Reconciliation Adjustment shall be the Due Date of the Invoice in which it is included.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice, Calculation or Reconciliation Adjustment (whether the amount is paid or not) and Seller shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at the Interest Rate from the date three business days after the receipt of the notice of overpayment until the date overpayment is reimbursed or deducted.

Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Calculations, Invoices, Reconciliation Adjustments and data no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (ii) if a Party does

not challenge the accuracy within such twenty-four (24) month period, such Invoice shall be binding upon that Party and shall not be subject to challenge. With respect to amounts paid that are later disputed, upon notice of dispute, the Party receiving payment shall hold the amount in dispute in escrow for the benefit of the prevailing Party until the resolution of such dispute. If any amount in dispute is ultimately determined (under the terms herein) to be due to the other Party, it shall be paid or returned (as the case may be) to the other Party within three (3) Business Days of such determination along with interest accrued at the Interest Rate from the (i) date due and owing in accordance with the Invoice until the date paid or (ii) if the amount was paid and is to be returned, from the date paid, until the date returned.

Section 5.4 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies (“Taxes”) which may be assessed by any entity upon the Seller's performance under this Agreement including but not limited to the purchase and sale of electricity and MA New Renewable Generation Certificates. Seller shall pay all Taxes with respect to the Requirements up to and at the Delivery Point, and the Buyer will pay all Taxes with respect to the Requirements after the Delivery Point. All Requirements, including electricity and other related market products delivered hereunder by Seller to the Buyer shall be sales for resale with the Buyer reselling such electricity and products.

If any new obligations are imposed by state law on or after the date of this Agreement in connection with the retail sale of electric energy to Standard Service or Default Service Customers, Seller shall have no obligation to the Buyer under this Agreement for such new obligations.

Section 5.5 Netting and Setoff

Except for security provided pursuant to Section 7.3 (which shall not be considered for purposes of this Section 5.5) and unless otherwise specified in another agreement between the Parties, if the Parties are required to pay an amount in the same month each to the other under this Agreement or any other agreement between the Parties, or if any costs that are a Party's responsibility under this Agreement are incorrectly or inappropriately charged to the Party by the ISO, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to the other Party any difference between the amounts owed. Each Party reserves all rights, setoffs, counterclaims and other remedies and defenses (to the extent not expressly herein or therein waived or denied) that such Party has or to which such Party may be entitled arising from or out of this Agreement or the other agreement. Further, if the Buyer incur any costs or charges that are the responsibility of Seller under this Agreement, such costs or charges may, at the Buyer's election, be netted against any amount due to Seller under this Agreement. All outstanding obligations to make payment under this Agreement or any other agreement between the Parties may be netted against each other, set off or recouped there from, or otherwise adjusted.

Section 5.6 Event Payment

The Parties acknowledge and agree that under Massachusetts General Laws (“MGL”) as they exist on the Effective Date, and the Tariff provisions in accordance therewith, Standard Service Customers are to be moved by the Mass. Electric to Default Service on March 1, 2005 if such customers do not elect to receive service from a competitive supplier. If subsequent to the Effective Date the MGL is amended or otherwise altered through legislative action or pursuant to a final court

order, or regulations are promulgated to effectuate the foregoing legislative action or court order (provided however, a Program as defined in Section 3.8(b) shall not constitute an Event as defined below), any of the foregoing with the result that customers that are Standard Service Customers on February 28, 2005 are required to receive electric service from (i) a competitive supplier other than as a result of each customer's own election or (ii) the Buyer on a tariff other than the Default Service Tariff (either (i) or (ii), an "Event"), Mass. Electric shall pay Seller or Seller shall pay Mass. Electric, as the case may be, an amount equal to the Event Payment.

It shall be a condition precedent to an Event Payment, and the calculation thereof, that an Event has occurred. The Event Payment shall be calculated, if there is an Event, by Mass. Electric as soon as practicable following February 28, 2005 and shall be determined based upon the difference between the amount that Seller would have received for Delivered Energy under this Agreement had such Event not occurred and the Market Value of that quantity of Delivered Energy that would have been delivered had such Event not occurred (the "Event Quantity"). For the purposes of calculating the Event Payment, the quantity of Delivered Energy affected by an Event (the "Event Quantity") shall be those quantities that would have been delivered on an hourly basis had this Agreement been in effect during the previous calendar year, adjusted for such load changes as may have occurred since the previous calendar year and reduced by load changes for any Programs implemented prior to the Event. "Market Value" shall mean the market value of the Event Quantity during each of the calendar months through the remaining term of the Agreement as determined by quotes from three brokers that are not Affiliates of either Party and that are mutually acceptable to both Parties.

Mass. Electric shall provide to Seller a written statement showing in reasonable detail the calculation and a summary of the method used to determine such amounts. Mass. Electric shall provide additional documentation in support of its calculation upon the reasonable request of the Seller. If the Event Payment is a positive amount, the respective companies shall pay the Event Payment, with their respective payment next due in accordance with Article 5. If the Event Payment is a negative amount, each company shall deduct such amount from its payment next due in accordance with Article 5. The Event Payment shall not be subject to true up or reconciliation, including true up to actual quantities delivered to customers that were Standard Service Customers on February 28, 2005, or actual market prices.

The Seller may challenge the Event Payment or the calculation thereof within fourteen (14) calendar days of receipt of such calculation. After such fourteen (14) calendar day period, Seller shall no longer have the right to challenge any Event Payment (other than for failure to pay the Event Payment) or the right to bring any action of any kind questioning the propriety of any Event Payment. A dispute by Seller must include documentation support of its calculation. Subject to the fourteen (14) day limitation in this paragraph, disputes under this Section shall be in accordance with Section 5.3 and shall be resolved in accordance with Article 15.

ARTICLE 6. QUALITY; LOSSES and QUANTITIES REQUIRED; DETERMINATION AND REPORTING OF HOURLY LOADS

Section 6.1 Quality

All electricity shall be delivered to the Buyer in the form of three-phase sixty-hertz alternating current at the Delivery Point.

Section 6.2 Losses

Seller shall be responsible for all transmission and distribution losses and the costs related to such losses and associated with the Requirements, namely, losses from the Delivery Point to the meters of the Default Service Customers and Standard Service Customers. Seller shall provide to the Buyer at the Delivery Point quantities of electricity and ancillary services, capacity and all other market products related thereto to cover such losses from the Delivery Point to the meters of Default Service Customers and Standard Service Customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with NEPOOL's and the Buyer's procedures for loss determination.

Section 6.3 Determination and Reporting of Hourly Loads

(a) The Buyer will estimate the Delivered Energy for Default Service and Standard Service provided by Seller pursuant to this Agreement based upon average load profiles developed for each of the Buyer's customer classes and the Buyer's actual total hourly load. The Buyer shall report both to the ISO and to the Seller the estimated Delivered Energy. The Buyer will normally report to the ISO and to Seller Seller's estimated Delivered Energy by 1:00 P.M. EPT of the second following Business Day after delivery. Appendix A provides a general description of the estimation process that the Buyer will initially employ (the "Estimation Process"). The Buyer shall have the right but not the obligation, in their sole and exclusive judgment, to modify the Estimation Process from time to time, provided that any such modification is designed with the objective of improving the accuracy of the Estimation Process.

Each month, the Buyer shall reconcile the Buyer's estimate of the Delivered Energy based upon the Buyer's meter reads (such meter reads as provided for in the Delivery Service Tariff). The reconciliation, including all losses, shall be the adjusted Delivered Energy. The Buyer will normally notify the ISO of any resulting adjustment (debit or credit) to Seller's account for the Load Assets (set forth in Section 6.4) no later than the last day of the third month following the billing month. Appendix A provides a general description of this reconciliation process, which process may be changed by the Buyer from time to time in their sole and exclusive discretion, provided that such changes are not inconsistent with the Market Rules and Procedures.

Section 6.4 NEPOOL Market System Implementation

The Default Service and Standard Service provided by Seller pursuant to this Agreement will be initially represented within the NEPOOL Market System as:

Company	SMD Load Zone	Load Asset	Load Asset Name	Applicable Period
Nantucket	SEMA	10022	NANT-DEF SVC-RCG LOAD	Nov 1, 2004 – Oct 30, 2005
Nantucket	SEMA	10021	NANT-DEF SVC-ICG LOAD	Nov 1, 2004 – Jan 31, 2005
Nantucket	SEMA	10020	NANT-DEF SVC-CCG LOAD	Nov 1, 2004 – Oct 30, 2005
MECo	SEMA	7601	DEF SVC-MECO-RCG LOAD_4006	Nov 1, 2004 – Oct 30, 2005
MECo	WCMA	7703	DEF SVC-MECO-RCG LOAD_4007	Nov 1, 2004 – Oct 30, 2005
MECo	NEMA	7803	DEF SVC-MECO-RCG LOAD_4008	Nov 1, 2004 – Apr 30, 2005

MECo	SEMA	7603	DEF SVC-MECO-CCG LOAD_4006	Nov 1, 2004 – Oct 30, 2005
MECo	WCMA	7705	DEF SVC-MECO-CCG LOAD_4007	Nov 1, 2004 – Oct 30, 2005
MECo	SEMA	7605	DEF SVC-MECO-ICG LOAD_4006	Nov 1, 2004 – Jan 31, 2005
MECo	WCMA	7707	DEF SVC-MECO-ICG LOAD_4007	Nov 1, 2004 – Jan 31, 2005
MECo	SEMA	1252	EUA-MA STANDARD OFFER LOAD	Jan 1, 2005 – Feb 28, 2005
Nantucket	SEMA	TBD	NANT-SS SVC-RCG LOAD	Jan 1, 2005 – Feb 28, 2005
Nantucket	SEMA	TBD	NANT-SS SVC-ICG LOAD	Jan 1, 2005 – Jan 31, 2005
Nantucket	SEMA	TBD	NANT-SS SVC-CCG LOAD	Jan 1, 2005 – Feb 28, 2005
MECo	SEMA	TBD	SS SVC-MECO-RCG LOAD_4006	Jan 1, 2005 – Feb 28, 2005
MECo	WCMA	TBD	SS SVC-MECO-RCG LOAD_4007	Jan 1, 2005 – Feb 28, 2005
MECo	NEMA	TBD	SS SVC-MECO-RCG LOAD_4008	Jan 1, 2005 – Feb 28, 2005
MECo	SEMA	TBD	SS SVC-MECO-CCG LOAD_4006	Jan 1, 2005 – Feb 28, 2005
MECo	WCMA	TBD	SS SVC-MECO-CCG LOAD_4007	Jan 1, 2005 – Feb 28, 2005
MECo	SEMA	TBD	SS SVC-MECO-ICG LOAD_4006	Jan 1, 2005 – Jan 31, 2005
MECo	WCMA	TBD	SS SVC-MECO-ICG LOAD_4007	Jan 1, 2005 – Jan 31, 2005

As soon as possible after the execution of this Agreement and before the Commencement Date, the Buyer shall assign to Seller, and Seller shall accept assignment of an Ownership Share for each Load Asset identified above. Such assignment shall be effective beginning on the Commencement Date. Seller shall take any and all actions necessary to effectuate such assignment including executing documents required by the ISO. Once Seller's provision of Default Service or Standard Service terminates (at the end of a Delivery Term or otherwise), the Buyer will terminate Seller's Ownership Shares of the aforementioned Load Assets.

The Buyer shall have the right to change the Load Asset designations (identified above) from time to time, consistent with the definition and provision of Default Service or Standard Service. If and to the extent such designations change, the Buyer and Seller shall cooperate to timely put into effect the necessary NEPOOL Market System contracts that may be necessary to implement the new designations and terminate the prior designations.

ARTICLE 7. DEFAULT AND TERMINATION

ARTICLE 8. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 8.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) seven (7) days after deposit in the United States mail, if sent by first class mail return receipt requested.

Notices and other communications by Seller to the Buyer shall be addressed to:

Mr. Michael J. Hager
Vice President, Energy Supply – New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northborough, MA 01532
(508) 421-7350 (phone)
(508) 421-7335 (fax)

and

Notices concerning Article 7 shall also be sent to:

General Counsel
National Grid USA Service Company, Inc.
25 Research Drive
Westborough, MA 01582
(508) 389-9000 (phone)
(508) 389-2605 (fax)

Notices and other communications by the Buyer to Seller shall be addressed to:

Any Party may change its representative or address for notices by written notice to the other Party(ies); however such notice shall not be effective until it is received by the other Party(ies).

Section 8.2 Authority of Representative

The Parties' representatives shall have full authority to act for their respective Party in all matters relating to the performance of this Agreement. Notwithstanding the foregoing, a Party's representative shall not have the authority to amend, modify, or waive any provision of this Agreement unless they are duly authorized officers of their respective entities and such amendment, modification or waiver is made in accordance to Article 17.

ARTICLE 9. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES

Section 9.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 9.2, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE BUYER NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, PARENT OR AFFILIATES, SUCCESSOR OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR ITS PARENT, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR

CONSEQUENTIAL DAMAGES (INCLUDING ATTORNEY'S FEES OR LITIGATION COSTS) CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

Section 9.2 Indemnification

(a) Seller agrees to defend, indemnify and save the Buyer, their officers, directors, employees, agents, successors assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of a representation or warranty or failure to perform any covenant or agreement in this Agreement by Seller, (b) any violation of applicable law, regulation or order by Seller, (c) any act or omission by Seller with respect to this Agreement, first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, or Affiliate of the Buyer or their respective successors or assigns.

(b) The Buyer agree to defend, indemnify and save Seller, its officers, directors, employees, agents, successor, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Buyer, (b) any violation of applicable law, regulation or order by said Buyer, (c) any act or omission by the Buyer, with respect to this Agreement first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within thirty (30) days of the later of the commencement of, or actual knowledge of, such claim or action; provided, however, that in the event such notice is delivered more than thirty (30) days after the Party seeking indemnification knows of such claim or action, the indemnifying Party shall be relieved of its indemnity hereunder only if and to the extent such indemnifying Party was actually prejudiced by such delay. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

Section 9.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Buyer and Seller other than that of independent contractors for the sale and delivery of Requirements for Default Service and Standard Service.

ARTICLE 10. ASSIGNMENT

Section 10.1 General Prohibition Against Assignments

Except as provided in Section 10.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 10.2 Exceptions to Prohibition Against Assignments

(a) Seller may, without the Buyer's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral assignment that provides for the Buyer to direct payments to the collateral agent (i) shall be in writing, (ii) shall not be altered or amended without prior written notice to the Buyer from both Seller and the collateral agent, and (iii) provided that any payment made by the Buyer to the collateral agent shall discharge the Buyer's obligation as fully and to the same extent as if it had been made to the Seller. Seller must provide the Buyer at least ten (10) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any Affiliate or to any corporation or other entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such Affiliate or other entity agrees to be bound by the terms hereof and provided further, that such other Affiliate's or entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment.

ARTICLE 11. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

ARTICLE 12. FORCE MAJEURE

(a) Force Majeure shall include but not be limited to acts of God, earthquakes, fires, floods, storms, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), acts of governmental, regulatory or judicial bodies, but if and only to the extent that such

event or circumstance (i) directly affects the availability of the transmission or distribution facilities of NEPOOL, the Buyer or an Affiliate of the Buyer necessary to provide service to the Buyer's customers which are taking service pursuant to the Default Service Tariff or the Standard Service Tariff and (ii) it is not within the reasonable control of, or the result of the negligence of, the claiming Party, and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (A) fluctuations in Default Service or Standard Service, (B) the cost to a Party to overcome or avoid, or cause to be avoided, the event or circumstance affecting such Party's performance or (C) events affecting the availability or cost of operating any generating facility.

(b) To the extent that either Party is prevented by Force Majeure from carrying out, in whole or in part, its obligations hereunder and (i) such Party gives notice and detail of the Force Majeure to the other Party as soon as practicable after the onset of the Force Majeure, including an estimate of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure, and (iii) the Party claiming Force Majeure uses commercially reasonable efforts to remedy or remove the inability to perform caused by Force Majeure, then the affected Party shall be excused from the performance of its obligations prevented by Force Majeure. However, neither Party shall be required to pay for any obligation the performance of which is excused by Force Majeure. This paragraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party involved in the dispute.

(c) No obligations of either Party which arose before the Force Majeure occurrence causing the suspension of performance are excused as a result of the occurrence.

(d) Prior to the resumption of performance suspended as a result of a Force Majeure occurrence, the Party claiming the Force Majeure shall give the other Party written notice of such resumption.

ARTICLE 13. WAIVERS

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

ARTICLE 14. LAWS AND REGULATIONS

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable Federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authorities having jurisdiction hereof.

(b) The rates, terms and conditions contained in this Agreement are not subject to change under Section 205 of the Federal Power Act as that section may be amended or superceded, absent the mutual written agreement of the Parties. Each Party irrevocably waives its rights, including its rights under §§ 205-206 of the Federal Power Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Agreement or any other agreements entered into in connection with this Agreement. By this provision, each Party expressly waives its right to seek or support: (i) an order from FERC finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the Parties in the Agreement are unjust and unreasonable; or (ii) any refund with respect thereto. Each Party agrees not to make or support such a filing or request, and that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter.

(c) Absent the agreement of all Parties to a proposed change, the standard of review for changes to this Agreement proposed by a non-party or the Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

ARTICLE 15. INTERPRETATION, DISPUTE RESOLUTION

Section 15.1 Governing Law

The Agreement shall be governed by and construed and performed in accordance with and the laws of the Commonwealth of Massachusetts, without giving effect to its conflict of laws principles.

Section 15.2 Dispute Resolution

All disputes between the Buyer and Seller under this Agreement shall be referred, upon notice by one Party to the other Party, to a senior manager of Seller designated by Seller, and a senior manager of the Buyer designated by the Buyer, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days of receipt of the notice, or such other period to which the Parties may jointly agree, such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted in Boston, Massachusetts before a single neutral arbitrator mutually agreed to and appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, Seller and the Buyer shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past substantial business or financial relationships with either Party or a witness for either Party and shall not have a direct or indirect interest in any Party or the subject matter of the arbitration. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the then-current arbitration rules of the CPR Institute for Dispute Resolution (formerly known as the Center for Public Resources), unless otherwise mutually agreed by the Parties. There shall be no

formal discovery conducted in connection with the arbitration unless otherwise mutually agreed by the Parties; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Any offer made and the details of any negotiations to resolve the dispute shall not be admissible in the arbitration or otherwise. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants unless the arbitrator(s), based upon a determination of good cause, awards attorneys fees and legal and other costs to the prevailing Party. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, subject expressly to Section 15.3. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.

Section 15.3 Venue; Waiver of Jury Trial

Each Party hereto irrevocably (i) submits to the exclusive jurisdiction of the federal and state courts located in the Commonwealth of Massachusetts; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

ARTICLE 16. SEVERABILITY

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

ARTICLE 17. MODIFICATIONS

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

ARTICLE 18. ENTIRE AGREEMENT

This Agreement, including the Appendices, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available by the Seller or the Buyer to each other. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby.

ARTICLE 19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 20. INTERPRETATION; CONSTRUCTION

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

ARTICLE 21. REPRESENTATIONS; WARRANTIES AND COVENANTS

Each Party represents to the other Party, upon execution and continuing throughout the term of this Agreement, as follows:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite power and authority to carry on its business as is now being conducted, including all regulatory authorizations as necessary for it to legally perform its obligations hereunder.

(b) It has full power and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by it, and, assuming that this Agreement constitutes a valid and binding agreement of the other Party, constitutes its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, or the terms of any note, bond,

mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which it is bound, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) No declaration, filing with, notice to, or authorization, permit, consent or approval of any Governmental Authority is required for the execution and delivery of this Agreement by it or the performance by it of its obligations hereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(e) Neither the execution and delivery of this Agreement by it will nor the performance by it of its obligations under this Agreement will or does (i) conflict with or result in any breach of any provision of its Certificate or Articles of Incorporation or Bylaws, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(f) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

(g) There are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(h) With respect to Seller, it is a member of the New England Power Pool and its membership is not suspended.

(i) It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement.

ARTICLE 22. CONSENTS AND APPROVALS

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable

efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

ARTICLE 23. CONFIDENTIALITY

Neither Seller nor the Buyer shall provide copies of or disclose the information contained in Appendix D or in Article 2, Article 4, Section 5.1 or Article 7 (collectively, the “Confidential Terms”), to any third party without the prior written consent of the other Party; provided, however, that either Party, or any of its Affiliates, may provide copies or information regarding this Agreement to: (i) any regulatory agency requesting and/or requiring such information; (2) its suppliers; provided, further, in the case of (1) and (2), that any such disclosure must include a request for confidential treatment of the Confidential Terms from the copies of the Agreement which are placed in the public record or otherwise made available to third parties or Seller’s suppliers, and (3) an Affiliate if related to the Party’s performance of its obligations hereunder, provided that such Affiliate agrees to treat the Confidential Terms as confidential in accordance with this clause.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

MASSACHUSETTS ELECTRIC COMPANY

BY: _____

Its _____

NANTUCKET ELECTRIC COMPANY

BY: _____

Its _____

BY: _____

Its _____

APPENDIX A

ESTIMATION OF SELLER HOURLY LOADS

Overview

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units or that contract for the output of such units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. The Buyer will estimate Seller's Default Service and Standard Service load obligations within the Buyer's service territory and report the hourly results to the ISO on a daily basis.

The estimation process is a cost-effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles, which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers is available, it will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.
- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.
- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

- Adjust the preliminary hourly supplier estimates so that their sum is equal to the Buyer's actual hourly metered loads (as metered at the point of delivery to the distribution system) by allocating any differences to suppliers in proportion to their estimated load.
- Adjust the hourly supplier estimates to include transmission losses within the Buyer's transmission system.
- Submit the hourly loads to the ISO.

After the Buyer has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The resulting hourly supplier load estimates for all the days in the month are reported and used by the ISO as the basis for the monthly resettlement.

APPENDIX B
GUARANTY

[Please use guaranty provided in last Agreement]

GUARANTY AGREEMENT

APPENDIX C-1
 Massachusetts Default Service Requirements Matrix
 By Customer Group, Load Responsibility, SMD Load Zone and Applicable Period

Customer Group	SMD Load Zone	Load Responsibility	Schedule 1	Schedule 2
Industrial	SEMA	100%	November 1, 2004	January 31, 2005
Industrial	WCMA	100%	November 1, 2004	January 31, 2005
Commercial	SEMA	50%	November 1, 2004	April 30, 2005
Commercial	WCMA	50%	November 1, 2004	April 30, 2005
Residential	NEMA	50%	November 1, 2004	April 30, 2005
Residential	SEMA	50%	November 1, 2004	April 30, 2005
Residential	WCMA	50%	November 1, 2004	April 30, 2005
Commercial	SEMA	50%	May 1, 2005	October 31, 2005
Commercial	WCMA	50%	May 1, 2005	October 31, 2005
Residential	SEMA	50%	May 1, 2005	October 31, 2005
Residential	WCMA	50%	May 1, 2005	October 31, 2005

APPENDIX C-2
 Massachusetts Standard Service Requirements Matrix
 By Customer Group, Load Responsibility, SMD Load Zone and Applicable Period

Customer Group	SMD Load Zone	Load Responsibility	Schedule 1	Schedule 2
Industrial	SEMA	100%	January 1, 2005	January 31, 2005
Industrial	WCMA	100%	January 1, 2005	January 31, 2005
Commercial	SEMA	50%	January 1, 2005	February 28, 2005
Commercial	WCMA	50%	January 1, 2005	February 28, 2005
Residential	SEMA	50%	January 1, 2005	February 28, 2005
Residential	WCMA	50%	January 1, 2005	February 28, 2005
Residential	NEMA	50%	January 1, 2005	February 28, 2005
Standard Service 11&13 All Customer Groups	SEMA	14.445%	January 1, 2005	February 28, 2005

APPENDIX D
Contract Rate
By Customer Group, Load Zone and Month of Service, \$/MWh

POWER SUPPLY AGREEMENT

This **POWER SUPPLY AGREEMENT** ("Agreement") is dated as of September 20, 2004 and is by and between **MASSACHUSETTS ELECTRIC COMPANY**, a Massachusetts corporation ("MECo" or "Mass. Electric") **GRANITE STATE ELECTRIC COMPANY** ("Granite"), a New Hampshire corporation, (Mass. Electric and Granite are referred to collectively herein as "Buyer", and each shall be severally and not jointly liable hereunder) and . This Agreement provides for the sale by Seller of the Services, as defined herein, to the Buyer. The Buyer and Seller are referred to herein individually as a "Party" and collectively as the "Parties".

ARTICLE 1. BASIC UNDERSTANDINGS

Seller, in response to a Request for Proposal dated August 16, 2004 issued by the Buyer, has been selected to be the supplier of firm, load-following power to meet the Buyer's Service Requirements as defined in the Service Requirements Matrix found in Appendices C-1 and C-2. This Agreement sets forth the terms under which Seller will supply Default Service to Mass. Electric for the period beginning on at the top of the HE 0100 EPT on Schedule 1 of Appendix C-1 and continuing through and including the end of the HE 2400 EPT on Schedule 2 of Appendix C-1 and New Hampshire Default Service to Granite for the period beginning at the top of the HE 0100 EPT on Schedule 1 of Appendix C-2 and continuing through and including the end of the HE 2400 EPT Schedule 2 of Appendix C-2 (the "Delivery Term(s)").

ARTICLE 2. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Agreement or by the ISO.

Affiliate means, with respect to any Party, any person (other than an individual) that, directly or indirectly, controls, or is controlled by such Party. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

Business Day means a 24-hour period ending at 5:00 p.m. EPT, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Boston, Massachusetts are authorized by law or other governmental action to close.

Buyer means the Massachusetts Electric Company and the Granite State Electric Company their successors, assigns, employees, agents and authorized representatives.

Buyer's System means the electrical transmission and distribution system of the Buyer and the electrical transmission and distribution system of any Affiliate of the Buyer.

Commencement Date means, with respect to a customer group in the NEMA Load Zone or the

NH Load Zone, the period at HE 0100 EPT on the date set forth for the customer group on Schedule 1 of Appendices C-1 and C-2.

Commission means the Federal Energy Regulatory Commission.

Competitive Supplier Terms means Mass. Electric's Model Terms and Conditions for Competitive Suppliers, M.D.T.E. No. 1063, as may be amended from time to time.

Conclusion Date means, with respect to a customer group in the NEMA Load Zone or the NH Load Zone, the end of the HE 2400 EPT on the date set forth for the customer group on Schedule 2 of Appendices C-1 and C-2.

Credit Rating means (i) the lower of the ratings assigned to an entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) by S&P and Moody's, (ii) in the event the entity does not have a rating for its senior unsecured long-term debt, the lower of the rating assigned to the entity as an issuer rating by S&P and Moody's, or the rating assigned to the entity as an issuer rating by any other rating agency agreed to by both Parties in each Party's sole and exclusive judgment.

Customer Disconnection Date means the date when a Default Service Customer is disconnected from service, as determined by the Buyer in accordance with the Distribution Service Terms.

Customer Termination Date means the date when a Default Service Customer ceases to take service under the Default Service Tariff, each date as determined by the Buyer in accordance with the Distribution Service Terms.

Default Service means the provision of Requirements by Seller at the Delivery Point to the Buyer to meet all needs of Default Service Customers.

Default Service Customer(s) means the retail customer(s) in the Residential Customer Group of the Buyer taking service pursuant to the Default Service Tariff during the applicable Delivery Term.

Default Service Tariff means the Mass. Electric's Tariff for Default Service, M.D.T.E. No. 1041, as may be amended from time to time and approved by the Department.

Delivered Energy means the quantity of energy, expressed in megawatt-hours, provided by Seller under the terms of this Agreement. This quantity shall be the sum of the quantity of energy reported to the ISO by the Buyer for each of the Load Assets identified in Section 6.4, with such quantity determined by the Buyer in accordance with Section 6.3 of this Agreement. Such quantity shall not include any allocation of PTF losses (which the ISO may assess to Seller in relation to such energy), but shall include transmission and distribution losses on the Buyer's System from the Delivery Point to the meters of Default Service Customers.

Delivery Point means for each Load Asset identified in or in accordance with Section 6.4 (i) the Nodes at which the Real-Time Load Obligations are established in the ISO Settlement Power System Model for the registered Load Assets representing the physical loads of Default Service Customers, as applicable to the Delivery Term for such customers, identified by the Load Asset

(“Loads With Nodes”), for any period and in any location in which there are Loads With Nodes and the ISO requires use of Nodes for Real-Time Load Obligations, or (ii) the Load Zones at which the Real-Time Load Obligations are established in the ISO Settlement Power System Model for the Load Assets representing the physical loads of Default Service Customers, as applicable to the Delivery Term for such customers, identified by the Load Asset (“Loads with Zones”) if (a) the ISO does not require use of Nodes for Real-Time Load Obligations and (b) the use of Loads with Zones in a calculation of ISO settlement charges and costs yields the same mathematical result as a calculation thereof using Loads with Nodes; or (iii) in the event of neither (i) nor (ii), Loads with Nodes and, in any location in which there are no Loads with Nodes, Loads with Zones.

Delivery Term(s) means the definition set forth in Article 1.

Department means the Massachusetts Department of Telecommunications and Energy.

Distribution Service Terms means the Mass. Electric’s Terms and Conditions for Distribution Service, M.D.T.E. No. 997, as may be amended from time to time and approved by the Department.

EPT means Eastern Prevailing Time.

Governing Documents means, with respect to any particular entity, (a) if a corporation, the (i) articles of organization, articles of incorporation or certificate of incorporation and (ii) the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles or certificate of organization or formation and operating agreement; (e) if another type of entity, any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any entity or relating to the rights, duties and obligations of the equity holders of any entity, if any; and (g) any amendment or supplement to any of the foregoing.

Initiation Date means the date a retail customer of the Buyer begins taking service pursuant to the Default Service Tariff as determined by the Buyer in accordance with the Distribution Service Terms.

Interest Rate means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under “Money Rates” on such day (or if not published on such day, on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

Investment Grade means (i) if any entity has a Credit Rating from both S&P and Moody’s then, a Credit Rating from S&P equal to or better than “BBB-” and a Credit Rating from Moody’s equal to or better than “Baa3”; or (ii) if an entity has a Credit Rating from only one of the S&P and Moody’s, then a Credit Rating from S&P equal to or better than “BBB-” or a Credit Rating from Moody’s equal to or better than “Baa3 or (iii) if the Parties have mutually agreed in writing on an additional or alternative rating agency, then a Credit Rating from S&P (if applicable) equal

to or better than “BBB-“ and/or a Credit Rating from Moody’s (if applicable) equal to or better than “Baa3”, and with respect to the additional or alternative rating agency, a credit rating equal to or better than that mutually agreed to by the Parties in each Party’s sole and exclusive judgment.

ISO means the Independent System Operator established in accordance with the NEPOOL Agreement, and any successor organization (including but not limited to a regional transmission organization).

kWh means Kilowatt-hour.

Locational Marginal Pricing means as set forth in the NEPOOL Agreement.

Market Rules and Procedures means the Market Rules, Manuals and Procedures adopted by the ISO and/or NEPOOL, as may be amended from time to time, and as administered by the ISO to govern the operation of the NEPOOL markets.

Mass. Electric Zone - The geographic area served by Massachusetts Electric Company prior to Eastern Edison Company’s merger with and into Massachusetts Electric Company.

Material Adverse Effect means, with respect to a Party, any change in or effect on such Party after the date of this Agreement that is materially adverse to the transactions contemplated hereby, excluding any change or effect resulting from (a) changes in the international, national, regional or local wholesale or retail markets for electric power; (b) changes in the international, national, regional or local markets for any fuel; (c) changes in the North American, national, regional or local electric transmission or distribution systems; and (d) any action or inaction by a governmental authority, but in any such case not affecting the Parties or the transactions contemplated hereby in any manner or degree significantly different from others in the industry as a whole.

MDTE means the Department.

Moody’s means Moody's Investors Service, its successors and assigns.

MWh means Megawatt-hour.

NE-GIS means the NEPOOL Generation Information System, which includes a generation information database and certificate system, operated by NEPOOL, its designee or successor entity, that accounts for generation attributes of electricity consumed within New England.

NE-GIS Certificates means a document produced by the NE-GIS that identifies the relevant generation attributes of each MWh accounted for in the NE-GIS from a generation unit.

NEMA Load Zone means the Northeast Massachusetts Reliability Region as defined in the NEPOOL FERC Electric Rate Schedule No. 7, Market Rule 1, as may be amended, modified or superseded from time to time.

NEPOOL means the New England Power Pool, or its successor.

NEPOOL Agreement means the Restated New England Power Pool Agreement dated as of December 1, 1996, as amended or accepted by the Commission and as may be amended, superseded and/or restated from time to time and the tariffs, agreements, rules and procedures, including the NEPOOL Rules, adopted by NEPOOL or the ISO as the case may be, and accepted by the Commission as may be amended, modified or supplemented from time to time.

NEPOOL Rules means all rules adopted by NEPOOL or the ISO, as such rules may be amended, added, superceded and restated from time to time, including but not limited to, the Market Rules and Procedures, the NEPOOL Operating Procedures, the NEPOOL Agreement and the Interim Independent System Operator Agreement between NEPOOL and the ISO, as amended, superceded or restated from time to time.

Net Worth means total assets, exclusive of intangible assets, less total liabilities, as reflected on the most recent balance sheet prepared by a certified public accountant as part of a certified financial statement in accordance with generally accepted accounting principles consistently applied in the business sector of the Seller.

New Hampshire Default Service means the provision of Requirements by Seller at the Delivery Point to Granite to meet all electric energy needs of New Hampshire Default Service Customers.

New Hampshire Default Service Contract Rate means the applicable rates set forth on Appendix D.

New Hampshire Default Service Customers means the retail customers of Granite taking service pursuant to the Default Service provisions in the New Hampshire Retail Delivery Tariff.

New Hampshire Retail Delivery Tariff means Granite's Tariff for Retail Delivery Service for the Period after New England Power Company Divests Substantially all of its Non-nuclear Generation, N.H.P.U.C. No. 17, as may be amended from time to time and approved by the NHPUC.

NHPUC means the New Hampshire Public Utilities Commission.

NH Load Zone means the New Hampshire Reliability Region as defined in the NEPOOL FERC Electric Rate Schedule No. 7, Market Rule 1, as may be amended, modified or superseded from time to time.

PTF means facilities categorized as Pool Transmission Facilities under the NEPOOL Agreement.

Requirements means all electric generation and/or market purchases and delivery, to the Delivery Point, of the electric capacity, energy, ancillary services, operating reserves (including forward reserves) and all other market products required by the Buyer to provide kilowatt-hours to meet the needs of Default Service Customers and New Hampshire Default Service Customers, as applicable to the Delivery Term.

Residential Customer Rate means the value as set forth in Appendix D for in the SEMA Load Zone, NEMA Load Zone and WCMA Load Zone, as applicable to a month in the Delivery Term.

Residential Customer Group means the Mass. Electric's customers in the Rate R-1, Rate R-2, Rate R-4 and Rate-E retail rate classes, or such other rate classes as may be added from time to time in the NEMA Load Zone, as applicable during the Delivery Term, provided that such Residential Rate Classes shall be comprised of customers previously in one of the Residential Rate Classes or such customer would have qualified for one of the Residential Rate Classes.

S&P means Standard & Poor's Rating Group, its successors and assigns.

Standard Service means the provision of Requirements by Seller at the Delivery Point to Mass. Electric to meet all the needs of the Standard Service Customers of Mass. Electric taking service pursuant to the Standard Service Tariff and who are located in the Mass. Electric Zone.

Standard Service Customer(s) means the retail customer(s) in the Industrial Customer Group, Commercial Customer Group, Residential Customer Group of Mass. Electric in the Mass. Electric Zone and in the Eastern Massachusetts Zone taking service pursuant to the Standard Service Tariff during the period of January 1, 2005 through February 28, 2005.

Standard Service Tariff - Mass. Electric's Tariff for Standard Service, M.D.T.E. No. 984-B, as may be amended from time to time and approved by the Department.

ARTICLE 3. TERM, SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS

Section 3.1 Term

This Agreement shall be effective immediately upon execution by the Parties and shall continue in effect until final payment is made hereunder. As of the expiration of this Agreement or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to audit rights, remedies for default, damages claims, indemnification and defense of claims shall survive the termination or expiration of this Agreement to the full extent necessary for their enforcement and the protection of the Party in whose favor they run, subject to any time limits specifically set forth in this Agreement.

Section 3.2 Commencement of Supply

(a) Beginning as of the Commencement Date applicable to the customer group set forth on Appendix C, Seller shall provide Requirements to the Buyer. For purposes of certainty: Seller's obligations on the Commencement Date shall be to provide Requirements for all Default Service Customers taking service as of and including the Commencement Date.

(b) With respect to each person or entity that becomes a Default Service Customer subsequent to the Commencement Date, Seller shall provide Requirements to the Buyer to meet the needs of the Default Service Customer(s) as of and including the Initiation Date for such customer initiating such service during the Delivery Term.

(c) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Initiation Date via electronic file transfer and in a format

specified by the Buyer. Each notice of Initiation Date shall include the account number, the date Seller's service to the Buyer is to begin for a Default Service Customer and the customer's rate class. The Buyer shall make reasonable efforts to promptly notify Seller of any significant customer enrollments of which the customer service center of Buyer becomes aware, including any significant enrollments outside of the electronic enrollment system; provided, however, that the Buyer will so notify Seller only to the extent permitted by applicable regulations and standards of conduct. The Buyer's failure to provide such notification shall not be a default or Event of Default under this Agreement.

Section 3.3 Termination and Conclusion of Supply

(a) With respect to each Default Service Customer that terminates Default Service during the Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Termination Date but shall not provide Requirements for such customer after the Customer Termination Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Customer Termination Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Termination Date shall include the account number, the Customer Termination Date and the customer's rate class. The Buyer shall make reasonable efforts to promptly notify Seller of any significant customer enrollments of which the customer service center of Buyer becomes aware, including any significant enrollments outside of the electronic enrollment system; provided, however, that the Buyer will so notify Seller only to the extent permitted by applicable regulations and standards of conduct. The Buyer's failure to provide such notification shall not be a default or Event of Default under this Agreement.

(c) Seller's obligation to provide Requirements to Buyer shall cease at the Conclusion Date.

Section 3.4 Customer Disconnection Date

(a) With respect to each Default Service Customer whose Default Service is disconnected during the Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Disconnection Date but shall not provide Requirements for such customer after the Customer Disconnection Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, The Buyer shall provide to Seller a notice of Customer Disconnection Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Disconnection Date shall include the account number, the Customer Disconnection Date and the customer's rate class. The Buyer shall make reasonable efforts to promptly notify Seller of any significant customer enrollments of which the customer service center of Buyer becomes aware, including any significant enrollments outside of the electronic enrollment system; provided, however, that the Buyer will so notify Seller only to the extent permitted by applicable regulations and standards of conduct. The Buyer's failure to provide such notification shall not be a default or Event of Default under this Agreement.

Section 3.5 Distribution Service Interruptions

Seller acknowledges that interruptions in distribution service occur and may reduce the load served hereunder. Seller further acknowledges and agrees that the Buyer may interrupt distribution service to customers consistent with the Distribution Service Terms and the Competitive Supplier Terms. In no event shall a Party have any liability or obligation to the other Party in respect of any such interruptions in distribution service.

Section 3.6 Release of Customer Information

The Buyer will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

Section 3.7 Electronic Notification

At Seller's election, the Buyer shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes an account on the Advantis Value Added Network ("VAN"), and (ii) verifies its ability to transfer files to and receive files from the Buyer at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt. Seller shall bear all costs to establish an account and all costs of Seller and the Buyer to use the VAN. If Seller fails to pay all VAN costs and charges when due and payable, Seller's election shall not be valid and the Buyer shall no longer be obligated to provide electronic notification.

Section 3.8 Change in Supply; No Prohibition on Programs

(a) Seller acknowledges and agrees that the number of customers and the Requirements to meet the needs of such customers will fluctuate throughout the Delivery Term and may equal zero. The Buyer shall not be liable to Seller for any losses Seller may incur, including but not limited to lost revenues, and losses that may result from any change in Requirements, number or location of customers taking service, the location of the Delivery Point(s), the composition or components of market products or Requirements, or the market for electricity, or change in the Distribution Service Terms or the Default Service Tariff. Seller further acknowledges and agrees that there is no limit on the number of Customer Initiation Dates, Customer Termination Dates and Customer Disconnection Dates.

(b) Seller acknowledges and agrees that the Buyer has the right but not the obligation to continue, initiate, support or participate in any programs, promotions, or initiatives designed to or with the effect of encouraging customers to leave Default Service for any reason ("Programs"). Nothing in this Agreement shall be construed to require notice to or approval of Seller in order for the Buyer to take any action in relation to Programs; provided, however, Buyer shall provide advance written notice to Seller of any Programs Buyer implements. The Buyer's failure to provide such notification shall not be a default or Event of Default under this Agreement..

(c) Seller acknowledges and agrees that the Buyer and Affiliates of the Buyer will not provide Seller preferential access to or use of the Buyer's System and that Seller's sole and exclusive rights and remedies with regard to access to, use or availability of the Buyer's System, and the Buyer's or Affiliates of the Buyer's obligation to transmit electricity are those rights,

remedies and obligations provided under the Distribution Service Terms, the NEPOOL Agreement and the ISO.

Section 3.9 Uniform Disclosure Requirements

Seller shall provide the Buyer information pertaining to power plant emissions, fuel types, labor information and any other information required by the Buyer to comply with the uniform disclosure requirements contained in 220 CMR 11.00 and any other disclosure regulations which may be imposed upon the Buyer during the term of this Agreement, as such disclosure requirements apply to Default Service provided by Seller pursuant to this Agreement.

Seller shall utilize the NE-GIS to transfer Load Obligations or NE-GIS Certificates, as applicable, to the Buyer's certificate account in the number equal to the Delivered Energy Default Service, if any, in a month. Such Load Obligations or NE-GIS Certificates, as applicable, shall be delivered by Seller at least five (5) Business Days prior to the close of the applicable Trading Period. The Load Obligations or NE-GIS Certificates, as applicable, shall be delivered by Seller to an account within the NE-GIS designated by the Buyer.

Section 3.10 Customer Bill Inserts

Seller may furnish the Buyer with a one page bill insert which the Buyer may include in the bill that the Buyer sends to each Default Service Customer in the Residential Customer Group as to which Seller is providing Requirements to the Company during the Delivery Term for such customer group. Bill inserts provided by Seller shall be included in only one monthly billing cycle during the Delivery Term. Such inserts shall be printed on 60# Mountie Matte paper, shall be three and one-quarter inches high by six and one-quarter inches wide in size and may be of any typeface except ITC Century and ITC Franklin Gothic.

Seller shall notify the Buyer at least sixty (60) days prior to the start of the monthly billing cycle in which Seller requests that the Buyer to include Seller's insert in Default Service Customer bills. A copy of the proposed bill insert is to be included with Seller's initial notification and must be reviewed by the Department before final printing. The Buyer will respond within seven (7) days if it can accommodate Seller's request. If space allows for inclusion, but additional postage is required, the Buyer will provide an estimate of the cost of additional postage to be paid by Seller in order to include the insert in the requested monthly billing cycle, or will suggest an alternate start date. Subject to the foregoing, inserts may be included in any bill sent to a Default Service Customer in the Residential Customer Group taking service pursuant to the Default Service Tariff during the Delivery Term and in the monthly billing cycle selected by Seller. Inserts must be received by the Buyer at least ten (10) days prior to the start date of their inclusion in customer bills.

Bill inserts shall be sent to the following address in a package clearly marked "[Name of Customer Group & Seller] Bill Inserts - Requested Commencement Date of Mailing: [DATE]:"

Pitney Bowes
Attn: Steve Roy
25 International Drive
Windsor, CT 06095

A single copy of each insert, along with the requested commencement date of mailing, shall also be sent to the following:

Mr. Michael J. Hager
Vice President, Energy Supply – New England
National Grid USA Service Company, Inc
55 Bearfoot Road
Northborough, MA 01532

Mr. Joseph G. McLaughlin
Manager, Billing and Systems
National Grid USA Service Company, Inc
55 Bearfoot Road
Northborough, MA 01532

The Buyer shall be responsible for including no more than the quantity of inserts provided to it by Seller. The Buyer shall not be responsible for returning to Seller unused inserts unless Seller has made prior arrangements for their return.

ARTICLE 4. SALE AND PURCHASE

ARTICLE 5. AMOUNT, BILLING and PAYMENT

Section 5.1 Amount

The amount payable by the Buyer to Seller for Delivered Energy in a month shall be:

- (i) The product of (a) the sum of the Delivered Energy for Default Service to the Residential Customer Group in the NEMA Load Zone and (b) Residential Contract Rate for the NEMA Load Zone in the month plus,
- (ii) The product of (a) the Delivered Energy to the New Hampshire Default Service Customers and (b) New Hampshire Default Service Contract Rate in the month plus,

Section 5.2 Billing and Payment

(a) On or before the tenth (10th) day of each month during the term of this Agreement, Seller shall calculate the amount due and payable to Seller for Delivered Energy with respect to the preceding month (the "Calculation"). Seller shall provide the Calculation to the Buyer and such Calculation shall include sufficient detail for the Buyer to verify its formulation and computation. Calculations under this paragraph shall be subject to recalculation in accordance with Article 6 and shall be subject to adjustment (positive or negative) based upon such recalculation (a "Reconciliation Adjustment"). Seller shall promptly calculate the Reconciliation Adjustment upon receiving data described in Section 6.3 and shall include the adjustment, if any, in the next month's Invoice. A Reconciliation Adjustment based upon a change in the quantity for an earlier month shall be calculated using the applicable Contract Rate for the month in which the Delivered Energy was received.

(b) Seller shall submit to the Buyer an invoice with such Calculation as provided for in paragraph (a) of this Section (the "Invoice") and the respective amounts due under this Agreement not later than the tenth (10th) day of each month. The Buyer shall pay Seller the

amount of the Invoice (including the Reconciliation Adjustment, if any, as a debit or credit) less any amounts disputed in accordance with Section 5.3, on or before the later of (i) the twentieth (20th) day of the month following the month of services; or (ii) the tenth (10th) day after receiving the Invoice (the "Due Date"). Except for amounts disputed in accordance with Section 5.3, if all or any part of the Invoice remains unpaid after the Due Date, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at the Interest Rate in effect on the Due Date. The Due Date for a Reconciliation Adjustment shall be the Due Date of the Invoice in which it is included.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice, Calculation or Reconciliation Adjustment (whether the amount is paid or not) and Seller shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at the Interest Rate from the date of the receipt of the overpayment until the date paid or deducted.

Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Calculations, Invoices, Reconciliation Adjustments and data no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (ii) if a Party does not challenge the accuracy within such twenty-four (24) month period, such Invoice shall be binding upon that Party and shall not be subject to challenge. With respect to amounts paid that are later disputed, upon notice of dispute, the Party receiving payment shall hold the amount in dispute in escrow for the benefit of the prevailing Party until the resolution of such dispute. If any amount in dispute is ultimately determined (under the terms herein) to be due to the other Party, it shall be paid or returned (as the case may be) to the other Party within three (3) Business Days of such determination along with interest accrued at the Interest Rate from the (i) date due and owing in accordance with the Invoice until the date paid or (ii) if the amount was paid and is to be returned, from the date paid, until the date returned.

Section 5.4 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies ("Taxes") which may be assessed by any entity upon the Seller's performance under this Agreement including but not limited to the purchase and sale of Requirements to the Buyer. Seller shall pay all Taxes with respect to the Requirements up to and at the Delivery Point, and the Buyer will pay all Taxes with respect to the Requirements after the Delivery Point. All Requirements, including electricity and other related market products delivered hereunder by Seller to the Buyer shall be sales for resale with the Buyer reselling such electricity and products.

Section 5.5 Netting and Setoff

Except for security provided pursuant to Section 7.3 (which shall not be considered for purposes of this Section 5.5) and unless otherwise specified in another agreement between the Parties, if the Parties are required to pay an amount on the same day each to the other under this Agreement or any other agreement between the Parties, or if any costs that are a Party's responsibility under this Agreement are incorrectly or inappropriately charged to the Party by the ISO, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to

the other Party any difference between the amounts owed. Further, if the Buyer incurs any costs or charges that are the responsibility of Seller under this Agreement, such costs or charges may, at the Buyer election, be netted against any amount due to Seller under this Agreement.

**ARTICLE 6. QUALITY; LOSSES and QUANTITIES REQUIRED;
DETERMINATION AND REPORTING OF HOURLY LOADS**

Section 6.1 Quality

All electricity shall be delivered to the Buyer in the form of three-phase sixty-hertz alternating current at the Delivery Point.

Section 6.2 Losses

Seller shall be responsible for all transmission and distribution losses and the costs related to such losses and associated with the Requirements, namely, losses from the Delivery Point to the meters of the Default Service Customers. Seller shall provide to the Buyer at the Delivery Point quantities of electricity and ancillary services, capacity and all other market products related thereto to cover such losses from the Delivery Point to the meters of Default Service Customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with NEPOOL's and the Buyer's procedures for loss determination.

Section 6.3 Determination and Reporting of Hourly Loads

(a) The Buyer will estimate the Delivered Energy for Default Service provided by Seller pursuant to this Agreement based upon average load profiles developed for each of the Buyer's customer classes and the Buyer's actual total hourly load. The Buyer shall report to the ISO and Seller, the estimated Delivered Energy. The Buyer will normally report to the ISO and to Seller Seller's estimated Delivered Energy by 1:00 P.M. EPT of the second following Business Day. Appendix A provides a general description of the estimation process that the Buyer will initially employ (the "Estimation Process"). The Buyer shall have the right but not the obligation, in their sole and exclusive judgment, to modify the Estimation Process from time to time, provided that any such modification is designed with the objective of improving the accuracy of the Estimation Process.

Each month, the Buyer shall reconcile the Buyer's estimate of the Delivered Energy based upon the Buyer's meter reads (such meter reads as provided for in the Delivery Service Tariff). The reconciliation, including all losses, shall be the adjusted Delivered Energy. The Buyer will normally notify the ISO of any resulting adjustment (debit or credit) to Seller's account for the Load Assets (set forth in Section 6.4) no later than the last day of the third month following the billing month. Appendix A provides a general description of this reconciliation process, which process may be changed by the Buyer from time to time in their sole and exclusive discretion.

Section 6.4 NEPOOL Market System Implementation

The Default Service provided by Seller pursuant to this Agreement will be initially represented within the NEPOOL Market System as:

Company	SMD Load Zone	Load Asset	Load Asset Name	Applicable Period
MECo	NEMA	7803	DEF SVC-MECO-RCG LOAD_4008	May 1, 2005 – Oct 30, 2005
GSECo	NH	730	GRANITE DEFAULT SVC LOAD	Jan 1, 2005 – Oct 31, 2005

As soon as possible after the execution of this Agreement and before the Commencement Date, the Buyer shall assign to Seller, and Seller shall accept assignment of an Ownership Share for each Load Asset identified above. Such assignment shall be effective beginning on the Commencement Date. Seller shall take any and all actions necessary to effectuate such assignment including executing documents required by the ISO. Once Seller's provision of Default Service terminates (at the end of a Delivery Term or otherwise), the Buyer will terminate Seller's Ownership Shares of the aforementioned Load Assets.

The Buyer shall have the right to change the Load Asset designations (identified above) from time to time, consistent with the definition and provision of Default. If and to the extent such designations change, the Buyer and Seller shall cooperate to timely put into effect the necessary NEPOOL Market System contracts that may be necessary to implement the new designations and terminate the prior designations.

ARTICLE 7. DEFAULT AND TERMINATION

ARTICLE 8. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 8.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) seven (7) days after deposit in the United States mail, if sent by first class mail return receipt requested.

Notices and other communications by Seller to the Buyer shall be addressed to:

Mr. Michael J. Hager
Vice President, Energy Supply – New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northborough, MA 01532
(508) 421-7350 (phone)

(508) 421-7335 (fax)

and

Notices concerning Article 7 shall also be sent to:

General Counsel
National Grid USA Service Company, Inc.
25 Research Drive
Westborough, MA 01582
(508) 389-9000 (phone)
(508) 389-2605 (fax)

Notices and other communications by the Buyer to Seller shall be addressed to:

Any Party may change its representative or address for notices by written notice to the other Party(ies); however such notice shall not be effective until it is received by the other Party(ies).

Section 8.2 Authority of Representative

The Parties' representatives shall have full authority to act for their respective Party in all matters relating to the performance of this Agreement. Notwithstanding the foregoing, a Party's representative shall not have the authority to amend, modify, or waive any provision of this Agreement unless they are duly authorized officers of their respective entities and such amendment, modification or waiver is made in accordance to Article 17.

ARTICLE 9. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES

Section 9.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 9.2, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE BUYER NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, PARENT OR AFFILIATES, SUCCESSOR OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR ITS PARENT, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES (INCLUDING

ATTORNEY'S FEES OR LITIGATION COSTS EXCEPT AS EXPRESSLY PROVIDED IN 15.2) CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

Section 9.2 Indemnification

(a) Seller agrees to defend, indemnify and save the Buyer, their officers, directors, employees, agents, successors assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of a representation or warranty or failure to perform any covenant or agreement in this Agreement by Seller, (b) any violation of applicable law, regulation or order by Seller, (c) any act or omission by Seller with respect to this Agreement, first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, or Affiliate of the Buyer or their respective successors or assigns.

(b) The Buyer agree to defend, indemnify and save Seller, its officers, directors, employees, agents, successor, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Buyer, (b) any violation of applicable law, regulation or order by said Buyer, (c) any act or omission by the Buyer, with respect to this Agreement first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within thirty (30) days of the later of the commencement of, or actual knowledge of, such claim or action; provided, however, that in the event such notice is delivered more than thirty (30) days after the Party seeking indemnification knows of such claim or action, the indemnifying Party shall be relieved of its indemnity hereunder only if and to the extent such indemnifying Party was actually prejudiced by the delay. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any

such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

Section 9.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Buyer and Seller other than that of independent contractors for the sale and delivery of Requirements for Default Service and Standard Service.

ARTICLE 10. ASSIGNMENT

Section 10.1 General Prohibition Against Assignments

Except as provided in Section 10.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

Section 10.2 Exceptions to Prohibition Against Assignments

(a) Seller may, without the Buyer's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral assignment that provides for the Buyer to direct payments to the collateral agent (i) shall be in writing, (ii) shall not be altered or amended without prior written notice to the Buyer from both Seller and the collateral agent, and (iii) provided that any payment made by the Buyer to the collateral agent shall discharge the Buyer's obligation as fully and to the same extent as if it had been made to the Seller. Seller must provide the Buyer at least ten (10) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to an Affiliate, any corporation or other entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such Affiliate or other entity agrees to be bound by the terms hereof and provided further, that such Affiliate or other entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

ARTICLE 11. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

ARTICLE 12. FORCE MAJEURE

(a) Force Majeure shall include but not be limited to acts of God, earthquakes, fires, floods, storms, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), acts of governmental, regulatory or judicial bodies, but if and only to the extent that such event or circumstance (i) directly affects the availability of the transmission or distribution facilities of NEPOOL, the Buyer or an Affiliate of the Buyer necessary to provide service to the Buyer's customers which are taking service pursuant to the Default Service Tariff and (ii) it is not within the reasonable control of, or the result of the negligence of, the claiming Party, and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (A) fluctuations in Default Service, (B) the cost to a Party to overcome or avoid, or cause to be avoided, the event or circumstance affecting such Party's performance or (C) events affecting the availability or cost of operating any generating facility.

(b) To the extent that either Party is prevented by Force Majeure from carrying out, in whole or in part, its obligations hereunder and (i) such Party gives notice and detail of the Force Majeure to the other Party as soon as practicable after the onset of the Force Majeure, including an estimate of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure, and (iii) the Party claiming Force Majeure uses commercially reasonable efforts to remedy or remove the inability to perform caused by Force Majeure, then the affected Party shall be excused from the performance of its obligations prevented by Force Majeure. However, neither Party shall be required to pay for any obligation the performance of which is excused by Force Majeure. This paragraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party involved in the dispute.

(c) No obligations of either Party which arose before the Force Majeure occurrence causing the suspension of performance shall be excused as a result of the Force Majeure.

(d) Prior to the resumption of performance suspended as a result of a Force Majeure occurrence, the Party claiming the Force Majeure shall give the other Party written notice of such resumption.

ARTICLE 13. WAIVERS

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

ARTICLE 14. LAWS AND REGULATIONS

ARTICLE 15. INTERPRETATION, DISPUTE RESOLUTION

Section 15.1 Governing Law

The Agreement shall be governed by and construed and performed in accordance with and the laws of the Commonwealth of Massachusetts, without giving effect to its conflict of laws principles.

Section 15.2 Dispute Resolution

All disputes between the Buyer and Seller under this Agreement shall be referred, upon notice by one Party to the other Party, to a senior manager of Seller designated by Seller, and a senior manager of the Buyer designated by the Buyer, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days of receipt of the notice, or such other period to which the Parties may jointly agree, such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted in Boston, Massachusetts before a single neutral arbitrator mutually agreed to and appointed by the Parties.

If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, the arbitrator shall be selected in accordance with the rules of the CPR Institute of Dispute Resolution. Where the amount in dispute or value of the services is estimated, by either Party in its reasonable judgment, to exceed two hundred fifty thousand dollars (\$250,000), Seller and the Buyer shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past material business or financial relationships with either Party or a witness for either Party and shall not have a direct or indirect interest in any Party or the subject matter of the arbitration. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the then-current arbitration rules of the CPR Institute for Dispute Resolution (formerly known as the Center for Public Resources), unless otherwise mutually agreed by the Parties. There shall be no formal discovery conducted in connection with the arbitration unless otherwise mutually agreed by the Parties; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Any offer made and the details of any negotiations to resolve the dispute shall not be admissible in the arbitration or otherwise. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants unless the arbitrator(s), based upon a determination of good cause, awards attorneys fees and legal and other costs to the prevailing Party. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, subject expressly to Section 15.3. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself,

violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. Nothing in this paragraph shall impair the ability of a Party to exercise any right or remedy it has under this Agreement, including those in Article 7.

Section 15.3 Venue; Waiver of Jury Trial

Each Party hereto irrevocably (i) submits to the exclusive jurisdiction of the federal and state courts located in the Commonwealth of Massachusetts; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

ARTICLE 16. SEVERABILITY

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

ARTICLE 17. MODIFICATIONS

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

ARTICLE 18. ENTIRE AGREEMENT

This Agreement, including the Appendices, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available by the Seller or the Buyer to each other. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby.

ARTICLE 19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 20. INTERPRETATION; CONSTRUCTION

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

ARTICLE 21. REPRESENTATIONS; WARRANTIES AND COVENANTS

Each Party represents to the other Party, upon execution and continuing throughout the term of this Agreement, as follows:

(a) It is duly organized in the form of business entity set forth in the first paragraph of this Agreement, validly existing and in good standing under the laws of its state of its organization and has all requisite power and authority to carry on its business as is now being conducted, including all regulatory authorizations as necessary for it to legally perform its obligations hereunder.

(b) It has full power and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by it, and, assuming that this Agreement constitutes a valid and binding agreement of the other Party, constitutes its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, or the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which it is bound, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) No declaration, filing with, notice to, or authorization, permit, consent or approval of any Governmental Authority is required for the execution and delivery of this Agreement by it or the performance by it of its obligations hereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(e) Neither the execution and delivery of this Agreement by it will nor the performance by it of its obligations under this Agreement will or does (i) conflict with or result in any breach of any provision of its Governing Documents, (ii) result in a default (or give rise to

any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(f) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

(g) There are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(h) With respect to Seller, it is a member of NEPOOL: and its membership is not suspended.

(i) It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement.

ARTICLE 22. CONSENTS AND APPROVALS

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

ARTICLE 23. CONFIDENTIALITY

Neither Seller nor the Buyer shall provide copies of Article 4, Article 7, Article 14 and Appendices B, C and D or disclose the contents thereof (the "Confidential Terms") to any third party without the prior written consent of the other Party; provided, however, that either Party may provide a copy of the Confidential Terms, in whole or in part to (1) any regulatory agency requesting and/or requiring such Confidential Terms, provided that any such disclosure must include a request for confidential treatment of the Confidential Terms, and (2) an Affiliate if related to the Party's

performance of its obligations hereunder, provided that such Affiliate agrees to treat the Confidential Terms as confidential in accordance with this clause.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

MASSACHUSETTS ELECTRIC COMPANY

BY:

Its

GRANITE STATE ELECTRIC COMPANY

BY:

Its

BY:

Its _____

APPENDIX A
ESTIMATION OF SELLER HOURLY LOADS

Overview

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units or that contract for the output of such units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. The Buyer will estimate Seller's Default Service load obligations within the Buyer's service territory and report the hourly results to the ISO on a daily basis.

The estimation process is a cost-effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles, which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers is available, it will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.
- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.
- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

- Adjust the preliminary hourly supplier estimates so that their sum is equal to the Buyer's actual hourly metered loads (as metered at the point of delivery to the distribution system) by allocating any differences to suppliers in proportion to their estimated load.
- Adjust the hourly supplier estimates to include transmission losses within the Buyer's transmission system.
- Submit the hourly loads to the ISO.

After the Buyer has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The resulting hourly supplier load estimates for all the days in the month are reported and used by the ISO as the basis for the monthly resettlement.

**APPENDIX B
FORM OF GUARANTY**

APPENDIX C-1

**Massachusetts Default Service Requirements Matrix
By Customer Group, Load Responsibility, SMD Load Zone and Applicable Period**

APPENDIX C-2

New Hampshire Default Service Requirements Matrix
By Customer Group, Load Responsibility, SMD Load Zone and Applicable Period

APPENDIX D

Contract Rate

By Customer Group, Load Zone and Month of Service, \$/MWh